UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office
Address: COMMISSIONER FOR PATENTS
P.O. Box 1450
Alexandria, Virginia 22313-1450
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/810,107	03/26/2004	Renato Staub	5333-3	8033

909 7590 10/16/2008
PILLSBURY WINTHROP SHAW PITTMAN, LLP
P.O. BOX 10500
MCLEAN, VA 22102

EXAMINER	
BAIRD, EDWARD J	

ART UNIT	PAPER NUMBER
3695	

MAIL DATE	DELIVERY MODE
10/16/2008	PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Office Action Summary	Application No.	Applicant(s)	
	10/810,107	STAUB, RENATO	
	Examiner	Art Unit	
	Ed Baird	3695	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE *3* MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *17 June 2008*.

2a)☒ This action is **FINAL**. 2b)☐ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *1-24* is/are pending in the application.

4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *1-24* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☐ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO/SB/08) Paper No(s)/Mail Date _____.
4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____.
5) ☐ Notice of Informal Patent Application
6) ☐ Other: _____.

DETAILED ACTION

Status of Claims

1. Applicant has amended claims 9 – 11 in this application. Claims 23 and 24 have been added. No claims have been canceled. Thus, claims 1 – 24 are pending in this application and are presented for examination.

Response to Arguments

2. Applicant's arguments and amendments filed 17 June 2008 have been fully considered but they are not persuasive.

3. Applicant arguments that references **Schulz** (US. Patent No. 6,687,681) and **Arena et al** (USPub. No. US 2002/0174045) do not teach, or suggest, a method for managing investment portfolios comprising rebalancing the investment portfolio if a short-term capital gain or losses, which would result from the rebalancing of the investment portfolio, falls within a threshold for short-term capital gains or losses [Applicant's Remarks, page 8 lines 8 – 15]. Examiner disagrees.

Schulz clearly states that "the securities in the investment portfolio are automatically evaluated for tax loss harvest purposes" and that "for each tax lot, the difference between the present market value of the security and a past historical value of the security is calculated and compared to a predetermined tax loss threshold" [column 2, lines 46 – 55]. Examiner interprets each tax lot as inclusive of Applicant's **short-term capital gains or losses**.

Examiner further indicates that **Arena** discloses managing rebalancing of assets to achieve the composite asset allocation model so that the rebalancing incurs the least

transaction cost, cost transactions costs which include taxes on **short term capital gains** taxes [0076].

4. Applicant argues **Arena** fails to specifically take short-term gain or losses into account in determining whether the portfolio is to be rebalanced [Applicant's Remarks, page 9 lines 18 – 19]. Examiner again disagrees based on the above discussion regarding **Arena** [0076].

5. Applicant argues that **Schulz** does not make any distinction between short-term gain (or loss) and long-term gain (or loss) [Applicant's Remarks, page 10 lines 3 – 4]. Examiner again interprets **Schulz's** tax lot as inclusive of Applicants **short-term capital gains or losses** which **Arena** further discloses rebalancing specifically due to short term capital gains [0076].

6. Applicant argues that **Arena** does not cure the deficiencies of **Schulz** in regards to rebalancing portfolios based on a computation of short-term gain or losses [Applicant's Remarks, page 10 lines 18 – 20]. Examiner again disagrees based on the above discussion.

7. Applicant argues that there is no reason or motivation to combine **Schulz** and **Arena** references [Applicant's Remarks, page 11 lines 5 – 7]. Examiner disagrees.

The Court noted that "[t]o facilitate review, this analysis should be made explicit. *Id.* (citing *In re Kahn,* 441 F.3d 977, 988, 78 USPQ2d 1329, 1336 (Fed. Cir. 2006)) ("[R]ejections on obviousness grounds cannot be sustained by mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness"). However, "the analysis need not seek out precise teachings directed to the specific subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ." *Id.* at 1741, 82 USPQ2d at 1396. In the instant case, both the **Schulz** and **Arena** references teach managing and balancing investment portfolios.

8. Rejection of claim 13 is similarly maintained as it is a system embodying the features of claim 1 [Applicant's Remarks, page 11 lines 15 – 17].

9. Regarding claim 9, Applicant argues the term "for one year" is not a statement of intended use and is thus having patentable weight [Applicant's Remarks, page 11 line 21 – page 12 line 1]. Examiner disagrees. Additionally, **Schulz** discloses tax loss harvest operations for the time period required by Internal Revenue Service. Examiner interprets the Internal Revenue Service operates on a year to year basis for reviewing taxes.

10. Regarding independent claims 12 and 22 and dependent claims 6 – 8 and 16 – 18, Applicant argues Examiner has not presented a *prima facie* showing of obviousness [Applicant's Remarks, page 12 lines 6 – 8]. Examiner disagrees based on discussion above.

Applicant further argues that these claims are not substantially similar to claims 7 and 17 because the former recite "allocating randomly, *a plurality of times"* [Applicant's Remarks, page 12 lines 19 – 20]. Examiner disagrees in that the statement "a *plurality of times"* does not add patentable weight.

Additionally, Applicant argues that the Examiner has not addressed the "computing" step in claims 12 and 22, or the "selecting" step [Applicant's Remarks, page 12 line 21 – page 13 line 1]. Examiner disagrees indicating that these steps are covered in the rejections of the claims upon which the "substantially similar" claims depend. Claim 12 is substantially similar to claim 7 wherein the "selecting" step is "securities to be sold are allocated", and the "computing" step is in claim 5, the claim upon which claim 7 depends.

11. Applicant further argues, regarding the same claims, the method of average purchase cost is in no way equivalent to a random allocation of securities to be sold to a plurality of tax lots as disclosed by **Francis** [Applicant's Remarks, page 13 lines 6 – 9]. Examiner disagrees.

Examiner affirms that not specifying which shares, recently purchase or purchased "years down the road", are being sold when mutual fund shares are sold is indicative of being random.

12. Applicant further argues that even if allocation of securities would be considered random, the Examiner has not even attempted to provide such an explanation of these additional features [Applicant's Remarks, page 14 lines 9 – 11]. Examiner disagrees. Examiner interprets "these additional features" to be those in claims 12 and 22 which Examiner affirms are substantially similar to claims 7 and 17, which includes the independent claims 1 and 13.

Claim Rejections - 35 USC § 103

13. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

14. Claims 1 – 5, 9 – 11, 13 – 15, and 19 - 21 are rejected under 35 U.S.C. 103 (a) as being unpatentable over **Schulz et al** (US Patent No. 6,687,681) in view of **Arena et al** (USPub. No. 2002/0174045).

15. Regarding **claims 1 and 13, Schulz** teaches:

- identifying at least one investment portfolio security to be sold in connection with a rebalancing of the investment portfolio; and
- rebalancing the investment portfolio if a short-term capital gain or losses, which would result from the rebalancing of the investment portfolio, falls within a threshold for short-term capital gains or losses.

Schulz discloses a method and apparatus for automatically managing investment portfolios to substantially track a selected index and to automatically harvest tax losses [Abstract]. **Schulz** discloses an accounting system for maintaining tax lot information for individual accounts, an optimization system for rebalancing each account to substantially model the index and for harvesting tax losses, and a trading system for executing trades [Abstract]. **Schulz** further discloses automatic evaluation of investment portfolio for tax loss harvest purposes; a predetermined tax loss threshold for each tax lot [column 2, lines 46-55]. If the difference meets or exceeds the tax loss threshold, the security is automatically sold to provide tax losses for offsetting gains in the portfolio.

Schulz does not specifically disclose rebalancing investment portfolios due to short-term capital gains and losses. However, **Arena** discloses a system, method, and computer program product for dynamic, cost effective reallocation of assets among a plurality of investment [Abstract,]. **Arena** further discloses rebalancing so as to minimize transaction costs including capital gains taxes (short and long term), tax penalties, income taxes, surrender charges, commissions, and transaction fees [0076].

Therefore, it would have been obvious to a person having an ordinary skill in the art at the time of the **Schulz's** invention to account for short-term capital gains as taught by **Arena** because it reduces costs incurred due to short-term capital gains [**Arena** 0076].

16. Regarding **claim 2**, **Schulz** and **Arena** teach al the items of claim 1, the claim upon which this claim depends. **Arena** further teaches: wherein the at least one security to be sold is identified based on a difference between securities in the investment portfolio and a target portfolio.

Arena discloses asset allocation models with recommended allocation percentages between stock and bonds based on potential for capital growth and exposure to risk [0006].

Arena in turn discloses a system, method, and computer program product for rebalancing assets to achieve a composite asset allocation model, [0021]. Examiner interprets composite asset allocation model as an example of Applicant's target portfolio. Examiner notes that rebalancing assets in a portfolio includes buying and selling of securities accordingly.

Therefore, it would have been obvious to a person having an ordinary skill in the art at the time of the **Schulz's** invention to include a composite asset allocation model as taught by **Arena** because such a model would help achieve desired asset allocation for a particular type of investor - aggressive, balanced or conservative - based on potential for capital growth and exposure to risk [**Arena** 0006, 0076].

17. Regarding **claim 3**, **Schulz** teaches:

- wherein the at least one security to be sold is identified by allocating at least one security to be sold to at least one tax lot associated with the at least one security to be sold and computing an implied total short-term capital gain or loss that would result from the sale of the at least one security to be sold from the at least one tax lot.

Schulz discloses an accounting system for maintaining tax lot information for individual accounts, an optimization system for rebalancing each account to substantially model the index and for harvesting tax losses, and a trading system for executing trades. [Abstract]. **Schulz** discloses harvesting losses to offset capital gains [Abstract].

18. Regarding **claims 4 and 14**, **Arena** teaches:

- comprising identifying a plurality of securities to be sold in connection with the rebalancing of the investment portfolio based on a difference between securities in the investment portfolio and a target portfolio.

as discussed in the rejection of claim 2. Accordingly, these claims are rejected for the same reasons as claim 2.

19. Regarding **claims 5 and 15**, **Arena** teaches:

- the plurality of securities to be sold are identified by allocating the securities to be sold to at least one tax lot associated with the securities to be sold and computing an implied total short-term capital gain or loss that would result from the sale of the plurality of securities from the at least one tax lot.

as **discussed** in the rejection of claim 2.

As discussed in the rejection of claims 1 and 13, the claims upon which these claims depend, **Arena** further discloses rebalancing so as to minimize transaction costs including those due to taxes on short and long term capital gains taxes [0076]. Examiner notes that while **Arena** does not specifically disclose computing short-term capital gains or losses, this computation is inherent in the system. Examiner asserts **Arena** would not be able to rebalance so as to minimize transaction costs without computing short-term capital gains or losses.

Accordingly, these claims are rejected for the same reasons as claims 4 and 14, the claims upon which these claims depend.

20. Regarding **claims 9 and 19**, **Schulz** teaches:

- rebalancing the investment portfolio if a total short-term capital gain or loss for the year, which would result from the rebalancing of the investment portfolio, falls with a threshold for short-term capital gains or losses.

Schulz discloses that periodically, preferably at a time exceeding the minimum interval required by internal revenue service wash sale rules, each of the securities in the investment portfolio are automatically evaluated for tax loss harvest purposes [column 2, lines 45-50].

Examiner notes that "periodically" includes the term "for the year" as claimed by the Applicant. This time frame is also a statement of intended use. As per MPEP 7.37.09: a recitation of the intended use of the claimed invention must result in a structural difference

between the claimed invention and the prior art in order to patentably distinguish the claimed invention from the prior art. If the prior art structure is capable of performing the intended use, then it meets the claim.

These claims are substantially similar to claim 3 and therefore are rejected for the same reasons.

21. Regarding **claims 10, 11, 20 and 21**, the limitations:

- the threshold for short-term capital gains or losses is about 2% of the value of investment portfolio's assets (claims 10 and 11);
- the threshold for short-term capital gains or losses is defined by an investor (claims 20 and 21).

are statements of intended use as discussed in the rejection of claims 9 and 19. Therefore, these claims are rejected for the same reasons as claims 9 and 19.

22. Claims 6 – 8, 12, 16 – 18, and 22 are rejected under 35 U.S.C. 103 (a) as being unpatentable over **Schulz** in view of **Arena**, in further view of **Francis** ("Mutual-Fund Records Pay Off at Tax Time", Wall Street Journal. (Eastern edition), New York, N.Y., Nov 16, 2001. pg. C1).

23. Regarding **claims 6 and 16**, **Schulz** and **Arena** teach all the items of claim 5, the claim upon which this claim depends. **Schulz** and **Arena** do not teach:

- allocating the securities to be sold beginning with an earlier tax lot of a plurality of tax lots and proceeding to a later tax lot; or
- allocating the securities to be sold beginning with a tax lot of a plurality of tax lots having a higher cost basis and proceeding to a tax lot with a lower cost basis.

However, **Francis** teaches using first-in, first-out accounting, or FIFO, to figure the cost of shares sold in an investor's account [abstract, 1st paragraph]. **Francis** discloses that investors usually calculate their gains or losses using their average purchase cost for the fund they are selling [full text, 4th paragraph] but may also determine fund gains or losses using specific share identification, also called a "versus sale" or a "specified lot" sale, allowing investors to pick which lots of shares to sell [full text, 7th paragraph]. Examiner interprets a "specified lot" sale as allowing an investor to arbitrarily choose between tax lots as claimed by Applicant.

Therefore, it would have been obvious to a person having an ordinary skill in the art at the time of the **Schulz's** invention to allow investors to pick which lots of shares to sell as taught by **Francis** because doing so allows investors to choose which cost basis to use when determining taxes on capital gains [full text, 7th paragraph].

24. Regarding **claims 7 and 17, Francis** teaches:

- the plurality of securities to be sold is allocated randomly to a plurality of tax lots.

As discussed in the rejection of claims 6 and 16 above, **Francis** teaches that investors usually calculate their gains or losses using their average purchase cost for the fund they are selling [full text, 4th paragraph]. Examiner interprets average purchase cost for the fund they are selling as being allocated randomly to Applicant's tax lots in that the investor is not picking which lots of shares to sell either to avoid short-term capital gain or by way of FIFO.

Therefore, it would have been obvious to a person having an ordinary skill in the art at the time of the **Schulz's** invention to allow investors selling securities to randomly allocate securities to a plurality of tax lots as taught by **Francis**. By doing so, an investor/ taxpayer can avoid the nuisance of record keeping [full text, 8th paragraph], although it may not be the most cost effective technique when trying to avoid short term capital gains.

25. **Claims 8 and 18** are substantially similar to claims 6 and 16 respectively, and therefore are rejected for the same reasons.

26. **Claims 12 and 22** are substantially similar to claims 7 and 17 respectively, and therefore are rejected for the same reasons.

27. Claims 23 and 24 are rejected under 35 U.S.C. 103 (a) as being unpatentable over **Schulz** in view of **Arena** in further view of **Official Notice.**

28. Regarding **claims 23 and 24, Schulz** does not specifically disclose:

- the short-term capital gain or losses which would result from the rebalancing of the investment portfolio is computed as a sum of the short-term gain or losses of each of the at least one investment portfolio security to be sold in connection with a rebalancing of the investment portfolio [column 2, line 66 – column 3 line 12]. Examiner notes that combining

However, **Schulz** *does* disclose an *accounting system* which maintains account position data, historical transaction information, tax lots for individual securities, and past value pricing information for tax loss harvesting purposes [column 7 lines 1 – 18]. Examiner takes **Official Notice** that one having ordinary skill in the art at the time of **Schulz's** disclosure would use summing short-term gain or losses of each investment portfolio security to be sold. Doing so would allow an investor to keep track of his overall portfolio's short-term gain or losses.

Conclusion

THIS ACTION IS MADE FINAL. Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the mailing date of this final action.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Ed Baird whose telephone number is (571)270-3330. The examiner can normally be reached on Monday - Thursday 7:30 am - 5:00 pm Eastern Time.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Jay Kramer can be reached on (571) 272-6783. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://pair-direct.uspto.gov. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

/James A. Kramer/
Supervisory Patent Examiner, Art Unit 3693

/Ed Baird/
Examiner, Art Unit 3693